

Message Text

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FAS PASS OGSM KEN STEPHENS/CEP

E.O.: 11652:N/A
TAGS: EAGR, BEXP, EAID
SUBJECT: POTENTIAL FOR PROGRAM TO FINANCE MARKET
DEVELOPMENT PROJECTS

REF: FASTO CIR 006

1. MISSION BELIEVES PROPOSED 10 YEAR CREDIT PROGRAM
COULD CREATE SUBSTANTIAL MARKET OPPORTUNITIES IN EGYPT
FOR U.S. COMMODITIES. HOWEVER WE HAVE QUESTIONS ABOUT
PROGRAM AND APPARENT LINKAGE TO FINANCING ADDITIONAL
GRAIN HANDLING FACILITIES IN VIEW OF AID/GOE SIZEABLE
PROGRAM AND PLANS IN STORAGE AREA (PARA 3, 4, AND 5).

2. BECAUSE FOOD NEEDS ARE GREAT IN EGYPT AND
FINANCIAL RESOURCES ARE LIMITED, WE BELIEVE THAT GOE
WOULD REACT VERY FAVORABLY TOWARDS A 10 YEAR CREDIT
PROGRAM WHICH COULD LEAD TO INCREASED EXPORTS OF U.S.
FARM COMMODITIES. PROPOSED PROGRAM CONSISTENT WITH
GOE NEED TO ARRANGE LONGER TERM CREDIT. HOWEVER,
AGATTACHE HAS NOT CONTACTED GOE OFFICIALS REGARDING
MARKET POTENTIALS PENDING MORE DETAILS.

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3. ALTHOUGH GOE MIGHT AGREE TO INVEST PROCEEDS IN
GRAIN HANDLING FACILITIES IN ORDER TO GET 10 YEAR
CREDIT, THERE IS QUESTION AS TO WHETHER ADDITIONAL
FINANCING FOR FACILITIES IS NEEDED AT THIS TIME.
IN 1975 AID MADE A \$42.3 MILLION DOLLAR LOAN TO
HELP FINANCE TWO 100,000 MT GRAIN SILOS WHICH ARE

PLANNED TO BE IN OPERATION IN 1981. IN 1977 A 42
MILLION DOLLAR AID LOAN WAS MADE TO HELP FINANCE
COMMODITY DISTRIBUTION FACILITIES, INCLUDING:

- A. TALLOW, OIL, AND FAT STORAGE
- B. TEMPORARY PIER BAGGING SYSTEM
- C. 50,000 MT GRAIN SILO
- D. CONVEYERS FOR BAGGED GRAIN
- E. GRAIN TESTING EQUIPMENT

4. LOCAL GOE COSTS FOR THE COMMODITY DISTRIBUTION
FACILITIES IS LE 14.9 MILLION IN ADDITION TO THE AID
LOAN OF \$42 MILLION. AN ADDITIONAL LE 29.8 MILLION
WILL BE REQUIRED TO SUPPORT THE TWO 100,000 MT SILO
PROJECT.

5. AID HAS PROGRAMMED \$25 MILLION FOR FY 78 FOR
DISTRIBUTION FACILITIES AND \$20 MILLION FOR FY 1979.

6. IF GOE AND AID DESIRED TO DO SO, COULD PROCEEDS
FROM THE PROPOSED CREDIT PROGRAM BE USED TO PAY THE
GOE LOCAL COST COMPONENT (PARA 4) IN THE PRESENT AID/
GOE PROGRAM?

7. OTHER THAN GRAIN HANDLING FACILITIES, WHAT QUOTE
OTHER SPECIFIC PROJECTS UNQUOTE (REFTEL) COULD BE
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FINANCED WITH PROCEEDS FROM PROPOSED PROGRAM? COULD
EDIBLE OIL REFINING AND FLOUR MILLING FACILITIES BE
FINANCED UNDER THE PROGRAM?

8. WE ASSUME THAT IMPORTS MADE UNDER THE PROPOSED
CREDIT PROGRAM WOULD BE COUNTED TOWARDS EGYPT'S USUAL
MARKETING REQUIREMENTS UNDER THE PL-480 TITLE 1 PROGRAM.
IS THIS CORRECT?

9. WHAT SORT OF TERMS ARE CONTEMPLATED UNDER THE
PROPOSED CREDIT PROGRAM.

10. IF OGSM CAN PROVIDE ADDITIONAL GUIDANCE ON QUESTIONS
RAISED, AGATTACHE WILL BE ABLE TO CONTACT GOE OFFICIALS
AND OBTAIN MORE REALISTIC ESTIMATES OF POTENTIAL MARKET
OPPORTUNITIES.EILTS

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